

**REPORT
ON
THE LOW-INCOME AND ENERGY EFFICIENCY FUND**

Michigan Public Service Commission
Department of Labor & Economic Growth
June 1, 2004

Low-Income and Energy Efficiency Fund

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The Customer Choice and Electricity Reliability Act of 2000, 2000 PA 141, authorized the creation of a Low-Income and Energy Efficiency Fund, administered by the Michigan Public Service Commission. The purpose of the fund is to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes. The fund results from securitization savings that exceeded the amount needed to achieve a 5% electric rate reduction for residential and business customers. Section 10d (6), MCL46010d (6) specifies the use of a portion of the savings:

If securitization savings exceed the amount needed to achieve a 5% rate reduction for all customers, then, for a period of 6 years, 100% of the excess savings, up to 2% of the electric utility's commercial and industrial revenues, shall be allocated to the low-income and energy efficiency fund administered by the Commission. The Commission shall establish standards for the use of the fund to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

The Detroit Edison Company is the only electric utility whose securitization savings exceed the amount necessary to fund the rate reduction required in the Act and is the only company contributing to the Fund. On July 25, 2002, the Department of Consumer and Industry Services (now the Department of Labor & Economic Growth) appropriations bill for 2003-2004, Public Act 167 of 2003 was signed, which authorized \$57 million for the Fund and required that the Commission report by June 1, 2004, on the distribution of funds. The \$57 million appropriation reflects an estimate of the annual revenues that could accrue to the Fund. Actual remittance, which occurs monthly, totals approximately \$3.6 million per month or about \$44-46 million annually. As of May 3, 2004, Detroit Edison had remitted \$128,934,017 in total to the Department of Labor & Economic Growth.

On February 20, 2004 the Commission in its order U-13808 granting interim rate relief, rolled securitization savings into base rates for Detroit Edison customers and established a surcharge to fund the Low-Income and Energy Efficiency Fund. The surcharge was set to generate \$39,858,000 annually.

Procedural Framework

On November 20, 2001, the Commission issued an Order setting the procedural framework to administer the Fund. Based on the Act, the Commission stated it expected the annual disbursement for each of the six program years to fall into three broad categories:

- 1) Energy assistance for low-income customers;
- 2) Conservation and energy efficiency measures targeted toward reducing the energy use and energy bills of low-income customers; and

- 3) The development of energy efficiency programs that benefit all customer classes.

The Commission determined that approximately 75% of the grant monies awarded would be allocated to providing low-income energy assistance and low-income energy efficiency programs and 25% would be allocated to the development of energy efficiency programs to benefit all customer classes. The Commission also stated it intended to set aside a portion of the proceeds to create an endowment to finance programs that assist low-income customers and support energy efficiency projects beyond the six-year existence of the Fund. The Commission stated that it would follow the procedures established by the Department of Management and Budget and the Department of Labor & Economic Growth in issuing requests for proposals, making disbursements and managing the grants.

Grant Awards

To date, the Commission has issued orders approving seven rounds of grants from the Low-Income and Energy Efficiency Fund, totaling \$107,422,675 million. The first three rounds of grants were awarded in Fiscal Year 2001/2002. The fourth and fifth rounds of grants have been awarded in Fiscal Year 2002/2003. The sixth and seventh rounds of grants were awarded in Fiscal Year 2003/2004. The grants have been awarded as follows:

- 1) \$27.4 million to provide low-income energy assistance;
- 2) \$12.2 million to develop or improve energy efficiency technologies;
- 3) \$5,024,985 for low-income, energy efficiency projects;
- 4) \$20 million to provide low-income energy assistance
- 5) \$20 million to provide low-income energy assistance.
- 6) \$9,797,690 million for low-income, energy efficiency projects.
- 7) \$13 million to provide low-income energy assistance.

Round One

On February 21, 2002, the Commission approved grants totaling up to \$27.4 million to provide low-income energy assistance to the following organizations:

- Family Independence Agency -- \$12 million to provide supplemental payments to households receiving the Home Heating Credit and \$3 million to expand the State Emergency Fund through Community Action Agencies;
- Michigan Community Action Agency Association -- up to \$3,110,000 to provide a 2:1 match for funds raised locally through the Walk for Warmth;
- The Salvation Army -- \$3 million to serve households statewide ineligible for assistance from FIA or for whom such assistance is insufficient or not available;
- The Heat and Warmth Fund -- \$2 million for the THAW Safety Net Program in sixty existing sites in southern Michigan;

- Newaygo County Community Services -- \$45,675 to assist households in Newaygo County ineligible for assistance from FIA or for whom such assistance is insufficient or unavailable;
- Wayne Metropolitan Community Action Agency -- \$212,987 to provide assistance to households in out-Wayne County facing shut-off of energy services;
- Leslie Outreach, Inc.-- \$34,109 to provide assistance to households in the Leslie, Stockbridge, and Dansville school districts;
- Family Independence Agency -- \$4 million for energy assistance special needs and other energy assistance priorities throughout the State of Michigan.

Round Two

On July 23, 2002, the MPSC approved grants totaling nearly \$12.2 million, to be used to develop or improve energy efficiency technologies as follows:

- Michigan Economic Development Corporation-- \$4.2 million to assist in the design, construction and installation of a microgrid system to power, through the use of distributed generation and other means, the NextEnergy Center and NextEnergy Zone;
- Grand Valley State University-- \$3 million to establish the Energy Center of Excellence to develop, improve and demonstrate energy efficiency technology applications;
- Michigan Technical Education Center at Bay de Noc Community College-- \$2 million to establish the “Northern Lights” revolving loan fund, designed to assist businesses, school districts, and local governmental agencies in undertaking energy efficiency improvements and pay for upgrades through energy savings;
- Ford Motor Company-- \$1.3 million for the development and testing of a process via construction of a full-size prototype, designed to capture and destroy volatile organic compounds by using those compounds as a source of fuel cell energy;
- Sordal Incorporated--\$584,448 to design and build machines capable of producing a non-flammable, light weight insulation material in a shape and size necessary for widespread industrial, commercial and residential use;
- DTE Energy Technologies, Inc. -- \$395,000 for the installation and operation of a three to four unit combined heat and power fuel cell system for demonstrating usefulness of combined heat and power fuel cells;
- EnSave Energy Performance, Inc.--\$385,805 to fund rebates of \$500-\$1000 on the purchase and installation by Michigan dairy farmers of variable speed drive systems;
- Intellicon --\$275,000 specialized “grid intelligence” software allowing utilities and other electric transmission companies to identify ways to increase the electric flow capacity on their grids and reduce the probability, frequency and scale of brownouts and blackouts;
- STM Power, Inc. -- \$53,200 installing, operating, maintaining and Beta testing a 25 kilowatt combined heat and power-based distributed generation unit to be located in a Belleville landfill.

Round Three

On August 20 and September 16, 2002, the MPSC approved grants totaling \$5,024,985 for low-income, energy efficiency projects.

- The Community Economic Development Association of Michigan -- \$203,840 for Build Michigan, a program to influence organizations building affordable housing to build healthier and more energy efficient structures;
- Consumers Energy Company -- \$351,500 for an education campaign targeted at qualified low-income customers throughout its gas and electric service territories and a follow-up survey to validate energy savings;
- Metro Neighborhood Housing and Community Development -- \$987,500 to improve the efficiency of homes in Detroit, Flint and Saginaw by providing home energy audits; energy efficiency upgrades; training for contractors, homeowners, community groups, and students, and program evaluation;
- The Michigan Community Action Agency Association -- \$2,700,000 to enhance the existing statewide Weatherization Assistance Program with expanded and enhanced energy efficiency measures and client education;
- Nova Development Group -- \$506,145 for energy conservation measures dispersed to multi-family affordable housing units in Michigan;
- The United Way Community Services/Nonprofit Facilities Center -- \$250,000 to expand its planning, workshops, and grant making practices to include a special incentive program directed to nonprofit housing organizations that maintain a minimum of six housing units for persons or households that qualify as low-income;
- Washtenaw Affordable Housing Corporation -- \$26,000 for an energy efficiency retrofit of a low-income apartment building and enhancement of residents' conservation awareness.

Round Four

On December 20, 2002, the MPSC approved grants totaling \$20 million for low-income energy assistance.

- Family Independence Agency (FIA) -- \$12 million to provide supplemental payments to households receiving the Home Heating Credit and \$1.5 million to expand the State Emergency Fund in cooperation with community action agencies;
- Salvation Army -- \$3 million to serve households statewide ineligible for assistance from FIA or for whom such assistance is insufficient or not available;
- MCAAA -- \$2 million in a direct grant for low-income energy assistance;
- THAW -- \$1.5 million for the THAW Safety Net Program.

Round Five

On February 27, 2003, the MPSC approved grants totaling \$20 million for low-income energy assistance.

- Family Independence Agency (FIA) -- \$17 million to expand the State Emergency Relief Fund;

- Salvation Army -- \$1 million to serve households statewide ineligible for assistance from FIA or for whom such assistance is insufficient or not available;
- Michigan Community Action Agency Association -- \$1 million in a direct grant for low-income energy assistance;
- The Heat and Warmth Fund (THAW) -- \$1 million for the THAW Fund.

Round Six

On October 14, 2003, the MPSC approved grants totaling \$9,797,690 million for low-income energy efficiency.

- Habitat for Humanity of Michigan--\$327,200 for energy efficient upgrades to homes scheduled for construction in 2004 for low-income families in Michigan.
- NOVA Development Group of Detroit, L.L.C., d/b/a Nova Development Group Michigan (HEAT) Home Energy Analysis Team--\$1.5 million to provide energy conservation improvements and energy education for low-income families living in affordable multi-family housing units.
- Michigan Community Action Agency Association--\$1.5 million to provide weatherization inspections and services, and weatherization and client education programs.
- Urban Options, Inc.--\$244,490 for energy education, audits, and low interest loans to homeowners for efficiency upgrades and purchase of Energy Star appliances.
- United Way Community Services/Nonprofit Facilities Center--\$865,000 for energy efficiency audits, energy efficiency/weatherization education, and grants and matching grants to non-profit facilities for energy efficiency upgrades.
- Community Economic Development Association of Michigan--\$652,000 for education of nonprofit housing managers, financial incentives for nonprofit housing groups to build more efficient homes, pre-certification and certification of new construction to 5-star energy ratings, and distribution of homeowner handbooks to occupants of certified homes.
- WARM Training Center--\$209,000 for energy education to consumers who receive energy assistance.
- Metro Neighborhood Housing & Community Development--\$1.5 million for home inspections to demonstrate Energy Star appliances, efficient lighting, construction upgrades, and heating/cooling products, and increase low-income homeowners' awareness about energy wise appliance and lighting usage.

Round Seven

On October 29, 2003, the MPSC approved grants totaling \$13 million for low-income energy assistance projects.

- Family Independence Agency--\$7.5 million to expand the State Emergency Relief program.

- Salvation Army--\$2.0 million to serve households statewide ineligible for assistance from FIA or for whom such assistance is insufficient or not available.
- The Heat and Warmth Fund (THAW)--\$3.0 million for the THAW Safety Net Program.
- Newaygo County--\$500,000 to assist clients in a ten county area ineligible for the State Emergency Relief program or for whom such assistance is insufficient or would not be available in time to avert an emergency.

The Commission approved these grants, totaling \$13 million, in response to an immediate need for low-income energy assistance. The Commission took this action, because of a number of circumstances, including the state's budget, extremely cold weather, the economy, and an increasing occurrence of utility service shutoffs. The Department of Labor & Economic Growth entered into an interdepartmental agency agreement for the Family Independence Agency grant. The Salvation Army, Michigan Community Action Agency Association, Newaygo County Community Services, and the Heat and Warmth Fund grants were submitted to the State Administrative Board for review at its November 18, 2003 meeting.

Evaluation

The Commission requires grantees to provide data on program accomplishments and problems encountered in completing grant requirements. This information is used to determine if the grantees accomplished the objectives stated in their proposals and resulting grant agreements. This information is also used to assess if and how the distribution of funds should be modified in the future. Information to date indicates that the performance level of these grants meets or exceeds expectations for the Low Income Energy Efficiency fund. These results will continue to improve in the future as staff continues to work closely with grant recipients in increasing its understanding of the level of detail, required in the bi-weekly progress reports submitted to the Commission.

Michigan Public Service Commission staff will conduct a financial audit of select grants in 2004 to enhance the MPSC's oversight of the Low-Income and Energy Efficiency Fund grant program.

Attachment H summarizes the grants approved by the Commission, the amounts disbursed to date, and the balances remaining for each grantee.

Attachments A-G

Low-Income and Energy Efficiency Fund Grants

Summary of Proposals

**LOW-INCOME ENERGY ASSISTANCE GRANTS
SUMMARY OF BIDS – ROUND 1
ORDER DATE 2/21/02**

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Family Independence Agency- Home Heating Credit and Special Needs	\$12,000,000	\$16,000,000
Family Independence Agency- State Emergency Fund	\$3,000,000	\$3,000,000
Salvation Army	\$14,374,318	\$3,000,000
Michigan Community Action Agency Association	\$3,110,000	\$3,110,000
Newaygo County Community Services	\$45,675	\$45,675
Wayne Metropolitan Community Action Agency	\$212,987	\$212,987
Leslie Outreach	\$34,109	\$34,109
The Heat and Warmth Fund	\$6,000,000	\$2,000,000
Grand Rapids Urban League	\$50,000	\$0.00
Downriver Community Conference	\$1,500,000	\$0.00

Attachment B

**MICHIGAN ENERGY EFFICIENCY GRANTS
SUMMARY OF BIDS – ROUND 2
ORDER DATE 7/23/02**

ORGANIZATION	AMOUNT REQUESTED	AMOUNT AWARDED
Michigan Econ. Dev. Corp	\$4.2 million	\$4.2 million
Grand Valley State Univ.	\$6.0 million	\$3.0 million
Bay de Noc Comm. College	\$2.5 million	\$2.0 million
Ford Motor Company	\$1.3 million	\$1.3 million
Sordal Inc.	\$955,658	\$584,448
DTE Energy Tech. Inc.	\$1,185,000	\$395,000
EnSave energy Perf. Inc.	\$385,805	\$385,805
Intellicon Inc.	\$275,000	\$275,000
STM Power, Inc.	\$1,193,500	\$53,200
Coffman Electrical Equip.	\$605,800	\$0.0
ICT, Inc.	\$2,381,815	\$0.0
New Haven Comm. Schools	\$1,598,894	\$0.0

**LOW-INCOME ENERGY EFFICIENCY GRANTS
SUMMARY OF BIDS – ROUND 3
ORDER DATE 8/20/02
ORDER DATE 9/16/02 ADDENDUM ORDER

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Community Economic Development Association of Michigan	\$203,840	\$203,840
Consumers Energy	\$1,443,000	\$351,500
Lenawee County Chapter of the American Red Cross	\$100,000	\$0.00
Metro Neighborhood Housing & Community Development	\$2,358,055	\$987,500
Michigan Community Action Agency Association	\$5,000,000	\$2,700,000
Muskegon County Energy Coalition	\$2,816,500	\$0.00
Nova Development Group	\$1,012,290	\$506,145
United Way Nonprofit Facilities Center	\$250,000	\$250,000
Urban Options	\$76,053.60	\$0.00
**Washtenaw Affordable Housing Coalition	\$52,000	\$26,000

**LOW-INCOME ENERGY ASSISTANCE GRANTS
SUMMARY OF BIDS – ROUND 4
ORDER DATE 12/20/02**

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Family Independence Agency- Home Heating Credit	\$12,000,000	\$12,000,000
Family Independence Agency- Community Action Agencies	\$3,000,000	\$1,500,000
Salvation Army	\$5,000,000	\$3,000,000
Michigan Community Action Agency Association	Up to \$7,000,000	\$2,000,000
The Heat and Warmth Fund	\$6,000,000	\$1,500,000
Newaygo County Community Services	\$47,250	\$0.00
Albion Interfaith Ministries	\$10,000	\$0.00
Lac Vieux Desert Band of Lake Superior Chippewa Tribal Government	\$31,257	\$0.00
Good Neighbors Mission	\$501,829	\$0.00
Downriver Community Conference	\$575,000	\$0.00
STM Power, Inc	\$4,910,000	\$0.00

**LOW-INCOME ENERGY ASSISTANCE GRANTS
SUMMARY OF BIDS – ROUND 5
ORDER DATE 2/27/03**

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Family Independence Agency- State Emergency Relief	\$17,000,000	\$17,000,000
Family Independence Agency- Community Action Agencies	\$3,000,000	\$0.00
Salvation Army	\$2,000,000	\$1,000,000
Michigan Community Action Agency Association	\$5,000,000	\$1,000,000
The Heat and Warmth Fund	\$6,000,000	\$1,000,000
Newaygo County Community Services	\$630,000	\$0.00
Downriver Community Conference	\$575,000	\$0.00

Attachment F

**LOW-INCOME ENERGY EFFICIENCY GRANTS
SUMMARY OF BIDS – ROUND 6
ORDER DATE 10/14/03**

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Habitat for Humanity of Michigan	\$327,200	\$327,200
NOVA Development Group	\$1,700,000	\$1,500,000
Michigan Community Action Agency Association	\$1,500,000	\$1,500,000
Urban Options Inc.	\$244,490	\$244,490
The United Way Community Services/Nonprofit Facilities Center	\$865,000	\$865,000
Community Economic Development Association of Michigan	\$652,000	\$652,000
WARM Training Centers	\$209,000	\$209,000
METRO Neighborhood Housing & Community Development	\$4,743,000	\$1,500,000
Michigan Community Action Agency	\$3,000,000	\$3,000,000
Sordal Inc.	\$934,144	\$0.00

Attachment G

**LOW-INCOME ENERGY ASSISTANCE GRANTS
SUMMARY OF BIDS – ROUND 7
ORDER DATE 11/18/03**

BIDDER	AMOUNT REQUESTED	AMOUNT AWARDED
Family Independence Agency- Home Heating Credit	\$13,000,000	\$7,500,000
Salvation Army	\$4,000,000	\$2,000,000
Newaygo County Community Services	\$887,250	\$500,000
Michigan Community Action Agency Association/Walk for Warmth	\$1,000,000	\$0.00
Downriver Community Conference	\$575,000	\$0.00
Society of St. Vincent De Paul	\$119,994	\$0.00
The Heat and Warmth Fund	\$6,000,000	\$3,000,000

Attachment H

Low-Income and Energy Efficiency Fund Grants

Fiscal Year 2004

As of 05/4/04

**Low-Income and Energy Efficiency Fund Grants
Fiscal Year 2004
As of 5/4/04**

Attachment H

PAYMENTS:

Grantee			Amount Approved	Amount Disbursed	Balance	S/D # 631
Habitat For Humanity of Michigan	<i>P4001894</i>	PSC-04-01	327,200.00	147,240.00	179,960.00	V4002816
Nova Development Group of Detroit, LLC	<i>P4001896 & P4002216</i>	PSC-04-02	1,500,000.00	800,000.00	700,000.00	V4002817 & V4003415
Michigan Community Action Agency Assn (MCAAA)	<i>P4001767</i>	PSC-04-03	1,500,000.00	675,000.00	825,000.00	V4002596
Urban Options, Inc.	<i>P4001768</i>	PSC-04-04	244,490.00	110,020.50	134,469.50	V4002597
Nonprofit Facilities Center/United Way Community Service	<i>P4001898</i>	PSC-04-05	865,000.00	389,250.00	475,750.00	V4002818
Community Economic Development Assn of Mich (CEDAM)	<i>P4001899</i>	PSC-04-06	652,000.00	293,400.00	358,600.00	V4002819
WARM Training Center	<i>P4001769</i>	PSC-04-07	209,000.00	94,050.00	114,950.00	V4002598
Metro Neighborhood Housing & Community Development	<i>P4001900</i>	PSC-04-08	1,500,000.00	675,000.00	825,000.00	V4002820
Michigan Community Action Agency Assn (MCAAA)	<i>Boilerplate</i>	PSC-04-09	3,000,000.00	3,000,000.00	0.00	W4002620
THAW - The Heat and Warmth Fund		PSC-04-10	3,000,000.00	3,000,000.00	0.00	W4007971
The Salvation Army		PSC-04-11	2,000,000.00	2,000,000.00	0.00	W4007349
Family Independence Agency		PSC-04-12	7,500,000.00	7,500,000.00	0.00	GQ002609
Newaygo County Community Services (NCCS)		PSC-04-13	500,000.00	500,000.00	0.00	W4006171
Total Grants Authorized//Paid/Balance			<u>22,797,690.00</u>	<u>19,183,960.50</u>	<u>3,613,729.50</u>	

RECEIPTS:

Date Rcvd	Amount	Total Receipts	S/D #
<i>10/2/2003</i>	3,490,066.00	3,490,066.00	GA005950
<i>11/5/2003</i>	3,444,314.00	6,934,380.00	GA006031
<i>12/2/2003</i>	2,883,240.00	9,817,620.00	GA006096
<i>1/6/2004</i>	3,195,570.00	13,013,190.00	GA006160
<i>2/3/2004</i>	2,683,141.00	15,696,331.00	GA006254
<i>3/2/2004</i>	3,029,630.00	18,725,961.00	GA006324
<i>4/2/2004</i>	2,065,215.00	20,791,176.00	GA006407
<i>4/2/2004</i>	980,115.00	21,771,291.00	GA006407
<i>5/3/2004</i>	3,375,951.00	25,147,242.00	GA006502
		25,147,242.00	
		25,147,242.00	
		25,147,242.00	

Total Authorization, PA 167 of 2003, Sec. 105
Total Amount of Grants Obligated to Date
Unobligated Authorization Balance

57,000,000.00
(22,797,690.00)
34,202,310.00

Revenue Collected to Date
Restricted Revenue Carry Forward From 2003
Revenue Disbursed to Date
Revenue Obligated but not Disbursed to Date
Revenue Available to fund Additional Grants

25,147,242.00
18,479,213.02
(19,183,960.50)
(3,613,729.50)
20,828,765.02

18,308,145.98 Rest Rev CF
36,234.81 Rev from A/P Write Off
121,346.26 Revenue moved to 2004 for grants
13,485.97 Revenue returned from prior year grants
18,479,213.02 closing with balances